

Global Markets Research

Fixed Income

Fixed Income Daily Market Snapshot

UST		
Tenure	Closing (%)	Chg (bps)
2-yr UST	2.57	-2
5-yr UST	2.55	-3
10-yr UST	2.71	-4
30-yr UST	3.04	-3

MGS		GII*		
Tenure	Closing (%)	Chg (bps)	Closing (%)	Chg (bps)
3-yr	3.57	-2	3.67	0
5-yr	3.76	1	3.84	0
7-yr	3.90	0	4.03	0
10-yr	4.07	0	4.09	0
15-yr	4.41	0	4.46	0
20-yr	4.58	0	4.68	0
30-yr	4.77	0	4.88	0

* Market indicative levels

MYR IRS Levels		
IRS	Closing (%)	Chg (bps)
1-yr	3.66	0
3-yr	3.69	0
5-yr	3.80	0
7-yr	3.92	0
10-yr	4.08	0

Source : Bloomberg

Upcoming Government Bond Tender

RM4.0b of 5Y GII 11/23 on Wednesday, 30th Jan 2019

US Treasuries

- US Treasury curve shifted lower following solid direct bidding demand for \$32b of 7Y auction which saw BTC ratio at 2.54x; averaging 2.625%. Benchmark yields ended 2-4bps lower from prior day's close with the 2Y at 2.57% and the much-watched 10Y rallying 4bps lower at 2.71%. Meanwhile the Fed is reputed to be halfway through its balance sheet run-off with reserves being removed from the banking system in the process. Currently it stands at \$4.047 trillion compared to December 2018 and 2017's figures of \$4.075 trillion and \$4.449 trillion respectively. Market participants are bracing for volatility as a slew of economic data is released including the all-important FOMC's interest rate policy meeting tomorrow followed by the Non-Farm payrolls for January this Friday.

MGS/GII

- Trading momentum in local govies recovered with volume at RM2.26b as interest was seen mainly in the benchmark 10Y MGS and off-the-run 19-20's. Overall benchmarks yields mostly within 1bps higher save for the short 3Y benchmark MGS bond. The 5Y benchmark MGS 4/23 ended at 3.76% and the 10Y MGS 6/28 was unchanged at 4.07% levels on decent volume. GII trades maintained at about 30% of overall trades. Meanwhile expect attention to be focused on the upcoming 5Y GII bond auction today. Up next on the data front are the release of the December trade numbers this evening.

Corp Bonds/Sukuk

- Corporate Bonds/Sukuk also saw volume ramp up to RM1.42b with the newly-issued Maybank 31NC26 bonds (issued at coupon/yield of 4.71%) comprising almost one-third of total volume recorded. Interest was seen across the GG to single-A segment. Several Govt-guaranteed (GG) bonds exchanged hands including names like SME, PRASA, DANA, LPPSA and PASB which trended lower on yields. KHAZANAH 8/23 moved 8bps lower compared to previous-done levels at 4.05%. AAA-rated TELEKOM 24's closed 0-2bps lower between 4.26-30% levels whilst PLUS 31-32's rallied 7-12bps between 4.63-66%. The AA-rated UEM Sunrise 5/19 ended 2bps lower at 4.08% whilst EDRA Energy 7/28 rose 18bps instead at 5.75%.

Daily Trades : Government Bonds

Securities		Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)
MGS	03/19	3.206	68	3.308	28/01/2019	-10
MGS	10/19	3.391	239	3.377	28/01/2019	1
MGS	11/19	3.401	7	3.414	25/01/2019	-1
MGS	03/20	3.471	1	3.458	25/01/2019	1
MGS	07/20	3.476	117	3.476	28/01/2019	0
MGS	10/20	3.498	215	3.498	28/01/2019	0
MGS	07/21	3.580	49	3.579	28/01/2019	0
MGS	09/21	3.624	44	3.616	28/01/2019	1
MGS	11/21	3.570	50	3.589	28/01/2019	-2
MGS	03/22	3.600	32	3.580	28/01/2019	2
MGS	04/23	3.756	91	3.756	28/01/2019	0
MGS	08/23	3.860	11	3.853	25/01/2019	1
MGS	07/24	3.902	6	3.900	28/01/2019	0
MGS	09/24	3.919	43	3.907	28/01/2019	1
MGS	03/25	3.958	117	3.965	25/01/2019	-1
MGS	07/25	4.012	50	4.095	04/09/2018	-8
MGS	09/25	3.972	54	3.980	28/01/2019	-1
MGS	11/27	4.101	12	4.103	28/01/2019	0
MGS	06/28	4.069	261	4.069	28/01/2019	0
MGS	04/30	4.280	70	4.286	25/01/2019	-1
MGS	06/31	4.326	32	4.334	28/01/2019	-1
MGS	11/33	4.407	70	4.405	25/01/2019	0
GII	04/20	3.506	200	3.495	24/01/2019	1
GII	05/20	3.510	139	3.495	16/01/2019	1
GII	08/20	3.602	50	3.638	07/12/2018	-4
GII	08/20	3.534	20	3.529	25/01/2019	0
GII	04/22	3.746	10	3.751	22/01/2019	0
GII	07/23	3.868	2	3.870	24/01/2019	0
GII	11/23	3.839	12	3.838	28/01/2019	0
GII	08/25	4.031	154	4.028	28/01/2019	0
GII	07/27	4.092	2	4.089	25/01/2019	0
GII	10/35	4.650	40	4.701	28/01/2019	-5
			<u>2263</u>			

Daily Trades: Corp Bonds / Sukuk

Securities		Rating	Closing YTM	Vol (RM mil)	Previous YTM	Previous Trade Date (dd/mm/yyyy)	Chg (bp)	Spread Against MGS*
Small Medium Enterprise Development Bank Malay	03/19	GG	3.563	80	3.696	08/11/2018	-13	13
Pengurusan Air SPV Berhad	06/20	GG	3.899	4	3.926	13/12/2018	-3	47
Lembaga Pembiayaan Perumahan Sektor Awam	04/22	GG	3.947	8	3.986	23/10/2018	-4	36
MKD Kencana Sdn Berhad	02/23	GG	4.033	50	4.050	16/01/2019	-2	34
Khazanah Nasional Berhad	08/23	GG	4.049	30	4.125	19/12/2018	-8	29
Danainfra Nasional Berhad	02/25	GG	4.149	40	4.150	23/01/2019	0	27
Jambatan Kedua Sdn Berhad	05/25	GG	4.150	60	4.210	04/10/2018	-6	27
Prasarana Malaysia Berhad	02/26	GG	4.170	10	4.190	14/01/2019	-2	26
Danainfra Nasional Berhad	10/28	GG	4.321	25	4.359	10/01/2019	-4	25
Perbadanan Tabung Pendidikan Tinggi Nasional	08/32	GG	4.569	50	4.668	31/10/2018	-10	17
Danainfra Nasional Berhad	11/32	GG	4.584	5	4.750	03/08/2018	-17	18
Turus Pesawat Sdn Berhad	11/32	GG	4.549	10	4.810	26/07/2018	-26	15
Prasarana Malaysia Berhad	12/32	GG	4.579	10	4.680	21/12/2018	-10	18
Perbadanan Tabung Pendidikan Tinggi Nasional	01/33	GG	4.569	50	-	-	-	17
Prasarana Malaysia Berhad	03/33	GG	4.594	20	4.610	16/01/2019	-2	19
Prasarana Malaysia Berhad	09/47	GG	5.000	10	5.117	18/12/2018	-12	43
Maybank Berhad	01/31	AAA	4.710	450	-	-	-	-
Cagamas Berhad	10/19	AAA	3.797	10	3.799	17/01/2019	0	37
Al Dzhahab Assets Berhad	03/20	AAA	4.243	5	4.231	23/01/2019	1	81
GENM Capital Berhad	03/22	AAA	4.610	30	4.649	10/01/2019	-4	102
Sarawak Hidro Sdn Berhad	08/22	AAA	4.240	15	4.249	19/12/2018	-1	55
Telekom Malaysia Berhad	03/24	AAA	4.261	5	4.280	14/01/2019	-2	51
Telekom Malaysia Berhad	10/24	AAA	4.299	5	4.299	17/01/2019	0	42
Danga Capital Berhad	09/27	AAA	4.440	20	4.457	17/01/2019	-2	39
Projek Lebuhraya Usahasama Berhad	01/31	AAA	4.632	10	4.749	21/09/2018	-12	56
Projek Lebuhraya Usahasama Berhad	01/32	AAA	4.663	10	4.730	03/01/2019	-7	26
Tenaga Nasional Berhad	08/38	AAA	4.899	14	4.909	16/01/2019	-1	33
Sabah Development Bank Berhad	08/19	AA1	4.416	30	4.454	25/01/2019	-4	99
Kuala Lumpur Kepong Berhad	09/22	AA1	4.269	8	4.353	14/12/2018	-8	58
Sabah Credit Corporation	06/23	AA1	4.497	20	4.737	15/01/2018	-24	80
Hong Leong Islamic Bank Berhad	06/24	AA1	1.534	3	4.100	07/01/2019	-	-
Sarawak Energy Berhad	07/29	AA1	4.639	5	4.650	23/01/2019	-1	57
Northern Gateway Infrastructure Sdn Berhad	08/29	AA1	4.651	2	4.929	21/12/2017	-28	58
Sarawak Energy Berhad	08/35	AA1	4.939	4	4.977	26/12/2018	-4	54
Imtiaz Sukuk II Berhad	11/19	AA2	4.030	6	4.270	12/10/2018	-24	60
First Resources Limited	06/20	AA2	4.269	10	4.364	04/12/2018	-9	84
Edra Energy Sdn Berhad	07/28	AA3	5.747	50	5.571	27/11/2018	18	169
UEM Sunrise Berhad	05/19	AA-	4.084	60	4.099	09/01/2019	-2	65
Malakoff Power Berhad	12/19	AA-	4.124	10	4.126	14/01/2019	0	69
MMC Corporation Berhad	11/20	AA-	4.893	10	4.915	08/01/2019	-2	137
UEM Sunrise Berhad	06/21	AA-	4.575	10	4.598	15/01/2019	-2	106
WCT Holdings Berhad	05/22	AA-	4.910	4	4.996	30/08/2018	-9	132
WCT Holdings Berhad	10/23	AA-	5.098	6	5.167	23/11/2018	-7	134
WCT Holdings Berhad	01/25	AA-	5.247	3	5.336	04/09/2018	-9	137
TF Varlik Kiralama A. S	06/19	A1	6.067	130	6.133	14/12/2018	-7	264
Golden Assets International Finance Limited	08/19	A1	4.772	4	4.805	14/01/2019	-3	134
Tan Chong Motor Holdings Berhad	11/21	A1	5.897	10	5.668	23/01/2019	23	231
Hong Leong Financial Group Berhad	11/17	A1	4.760	1	4.826	28/01/2019	-7	19
Eco World International Berhad	10/21	-	5.126	1	6.348	28/11/2018	-122	-
				<u>1420</u>				

*spread against nearest indicative tenured MGS (Source : BPAM)

Market/Corporate News: What's Brewing

Prime Minister Tun Dr Mahathir Mohamad said no final decision has been made on the East Coast Rail Link (ECRL) project. "At this moment no final decision has been made, some decisions were made but now we have to find a better solution," he told a press conference after chairing a Parti Pribumi Bersatu Malaysia (Bersatu) meeting here today. Asked to confirm that the project had not been called off, he said: "We are still negotiating." Dr Mahathir said the Government felt that more time should be given to the concerned parties to come up with the solution to the problem concerning the RM81 billion project. "I'm not in the position to give the explanation about what we are going to

do, but no decision has been made at this moment,” he said. Queried whether the Government would look at any other option rather than calling off the project, the Prime Minister responded: “There may be some other options, we are open.” To another question, Dr Mahathir, who is also Bersatu chairman, said the Government had always been studying the cost of the ECRL project. “Apparently there are offers by others that will cost the Government much less. I think the previous Government had made a very high estimate (of the cost), we need to attend to that,” he said. On whether what was perceived by some people as conflicting information on the project would worry investors, Dr Mahathir said the situation arose because statements by Ministers on the matter were interpreted differently. The Prime Minister said Finance Minister Lim Guan Eng would make an announcement on the matter once the negotiations were completed. (Source: *The EdgeMarkets/Bernama*)

Hicom-Teck See Manufacturing Malaysia Sdn Bhd (HTS) has entered into a shareholder agreement with Jiangsu Xinquan Automotive Trim Co Ltd (XQ) to form a joint-venture (JV) company in Malaysia. The partnership is to design, develop and manufacture instrument panel, floor consoles and door trims as well as related components for vehicles. HTS is a 51%-owned subsidiary of Hicom Holdings Bhd, which in turn is wholly owned by DRB-Hicom Bhd. Its principal activity is manufacturing and sales of thermo plastic and thermo setting products. Meanwhile, XQ was listed on the Shanghai Stock Exchange on March 17, 2017. Its principal activity is the manufacture and sales of automotive body parts. In a filing with Bursa Malaysia, DRB Hicom said the proposed name for the JV is Xinquan-Hicom Malaysia Sdn Bhd, subject to approval by the Companies Commission of Malaysia. The proposed shareholding structure in the JV will be 49% for HTS and 51% for XQ HK. With a total capital contribution of RM64.4mil, this will mean HTS will contribute RM31.56mil while XQ HK will contribute RM32.84mil. DRB Hicom said the proposed JV would be for a tenure of 10 years and would be renewed automatically for an additional 10 years, unless both shareholders agreed to non-renewal within one year prior to the 10th anniversary of the JV company. “Via the participation of HTS in the JV company, the DRB-HICOM Group will be able to continue supporting Proton’s business, which includes expansion into the Asean market. “The JV company is also targeting to penetrate the Asean market with products manufactured using new technology,” said DRB Hicom. It added that the proposed JV would not have any material effects on the group’s issued and paid-up capital and substantial shareholders’ holdings. (Source: *The EdgeMarkets*)

Rating Action			
Issuer	PDS Description	Rating/Outlook	Action
EKVE Sdn Bhd	Guaranteed Sukuk Murabahah Facility of up to RM1.0b in Nominal Value	AAA(BG)	Reaffirmed
Exsim Capital Resources Berhad’s (Exsim Capital)	RM290 million first issuance (Tranche 1 IMTN) RM2 billion Sukuk Musharakah Programme (IMTN Programme)	AA3/Stable	Assigned

Source: RAM, MARC

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